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Foreign Agriculture

April 1982

East Europe: Consequences of a Credit Crunch

Marketing News

Trade Exhibits and Teams

American wines will be taking on the competition at the **London Wine Fair** on May 27. As many as 25 importers or U.S. shippers are expected to show their offerings at the fair.

U.S. wines also will be featured at the **U.S. International Food Show** in New York April 14-18.

The Southern United States Trade Association (SUSTA) and the Eastern U.S. Agricultural and Food Export Council (EUSAFEC) will be working together on the eighth Carib-USA Food Exhibit in San Juan, Puerto Rico, April 17-19.

The Mid-America International Agri-Trade Council (MIATCO) of Chicago is developing a trade mission to South America for late May. The mission will include 5 to 10 firms interested in exporting processed foods, livestock and other items, and will visit Venezuela and other countries.

The U.S. Meat Export Federation (USMEF) sponsored a survey team that visited Mexico Feb. 2-6 to assess the demand for U.S. breeding swine and pork meat in that country. USMEF anticipates strong, increasing demand for both commodities throughout Mexico, Latin America and the Caribbean region.

Cooperator News

U.S. Feed Grains Council (USFGC) chairman Bob Book and president Darwin Stolte traveled to East Germany in late January. They discussed market conditions and export expansion activities for feed grains with the East German trade and U.S. government officials. They also stopped in Hamburg and London to meet with USFGC staff and USDA officials.

Tremendous potential exists for sales of protein-type products in Mexico as a result of the Mexican government's interests in improving diets. In December, President Lopez-Portillo authorized the Mexican Food System (SAM) to add a soy/oatmeal blend to all government-sponsored feeding programs. This marked significant progress in the Mexican market for the **American Soybean Association (ASA).** The ASA's Mexico/Latin America Human Nutrition Center worked closely with the research group that developed a soy/oatmeal product to be used in feeding programs.

The **Poultry and Egg Institute of America (PEIA)** reports that for the first time, a leading West German hotel and restaurant supplier will be using U.S. further-processed turkey products in its sales program. Featured items will include cooked turkey rolls, fried turkey breasts and turkey slab. Initial sales were valued at more than $45,000. PEIA's Hamburg office is supporting this program with recipe brochures, informational material and promotional activities.

John Ward, the **National Forest Products Association's (NFPA)** director of international trade, recently returned from a tour of Japanese wood products facilities and meetings with Japanese companies and associations. He also served as industry advisor to the U.S.-Japan Forest Products Committee meeting.

The **NFPA** also reports that China is expected to become the second largest buyer of U.S. softwood logs. The Chinese were important purchasers of U.S. softwood lumber in 1981. China's purchases of logs in 1981 were expected to reach $100 million, compared with $41 million in 1980. China is expected to reduce its domestic timber output in 1982-85, thus expanding its need for imported wood.

USMEF reports that 2,500 pounds of U.S. beef was sold during a recent 2-week menu promotion at the Novotel-Neuss in West Germany. The promotion featured prime rib and a variety of U.S. steaks. Because of the promotion's success, the hotel has decided to make U.S. beef a regular feature on its menus. Consumers in France, Belgium, the Netherlands and Luxembourg were introduced to U.S. meat via television recently. U.S. cattle production and feedlot management were featured in a weekly television program devoted to gourmet food. **MEF/London** is hopeful that this type of endorsement will help establish a greater permanence for U.S. meats in the European market.

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The USSR is a large importer of agricultural products, with imports in 1981 estimated at $20 billion—up 20 percent from the year-earlier level.

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The USSR has been busy in the past 2 years signing long-term commodity agreements to guarantee a steady supply of farm products.

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It's back to potatoes and other high-calorie foodstuffs for Soviet citizens in the coming years, Soviet nutritionists say.

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East Europe: Worsening Financial Situation Dims U.S. Export Prospects

Right: Busy market day in Zagreb, Yugoslavia.

Far right: Polish marchers demonstrate in Cracow last summer against the rationing of meat and food shortages.

[1] East Europe includes, for purposes of this article, Bulgaria, Czechoslovakia, the German Democratic Republic (GDR), Hungary, Poland, Romania, and Yugoslavia.

By Debra Henke

The steady deterioration of East Europe's financial position over the past year is dimming growth prospects for U.S. exports to the region—not long ago one of the fastest growing foreign markets for U.S. agricultural products.[1]

U.S. export values to the region shot up 85 percent between 1978 and 1980. East Europe was a $2-billion market for U.S. farm products at the outset of the 1980's. However, U.S. farm exports to the region last year declined roughly a fifth from the all-time high reached in 1980.

A big factor in the decline was the region's difficulty in securing the necessary credit from Western sources to finance imports of consumable commodities.

When credit was not available, the East European countries have been required to pay hard currency for imported commodities—difficult for them last year since most of the items they count on for hard currency earnings—from hams to engines—face a declining Western market.

Region's Crop Production Fails To Keep Pace with Needs

Domestic production of major crops in 1981 was lower than in 1980 for Czechoslovakia, the German Democratic Republic (GDR), Hungary, and Romania. Poland, however, enjoyed better harvests in 1981 than the year before, especially in potatoes and grains.

Production of major crops has stagnated in the region since the late 1970's, just at the time when demand for products was on the rise due to increased incomes. The agricultural sectors in individual countries responded to the growing demand for meat and dairy products by expanding livestock herds, further stimulating demand for feed supplies.

Credit Crunch Causes a Reappraisal of Import Policies

As East Europe's indebtedness to the West has increased—by some 76 percent over the past 4 years—some countries have begun re-evaluating their import policies.

Czechoslavkia, the GDR, Hungary, Romania, and Yugoslavia have already slowed their imports in order to bring their international accounts into better order. Poland, however, continued to import large qualities of feedstuffs through 1981 to support its livestock enterprises.

Self-sufficiency is being emphasized in the current 5-year plans of the East European countries. Most of the plans are aiming for a major reduction in grain imports as farmers and livestock producers become better trained and feed is better utilized. In addition, some countries are de-emphasizing hog production, which requires imported feedstuffs, and turning more to cattle production based on grazing.

U.S. Export Growth to East Europe Likely To Slacken

East Europe is still expected to remain an important—if not expanding—market for U.S. agricultural exports.

The countries of East Europe will continue to buy U.S. commodities to improve their livestock production. But as these countries re-evaluate their participation in the world markets, some may reduce their imports from the United States and the rest of the world.

In addition, U.S. exports to East Europe are likely to face increasing competition from other suppliers, particularly developing countries which may be willing to barter agricultural products for Eastern Europe's machinery and manufactured products. For example, Romania has arranged to sell fertilizer to Thailand in exchange for corn.

The countries of East Europe also will be seeking to import agricultural commodities from a variety of sources. The U.S. partial embargo of grains to the USSR of 1980 may have heightened concern about relying on a single source of supply for commodities.

Below is a country by country rundown of U.S. export prospects this year in the seven countries comprising East Europe.

Prospects Clouded in Poland, Our Top Regional Customer

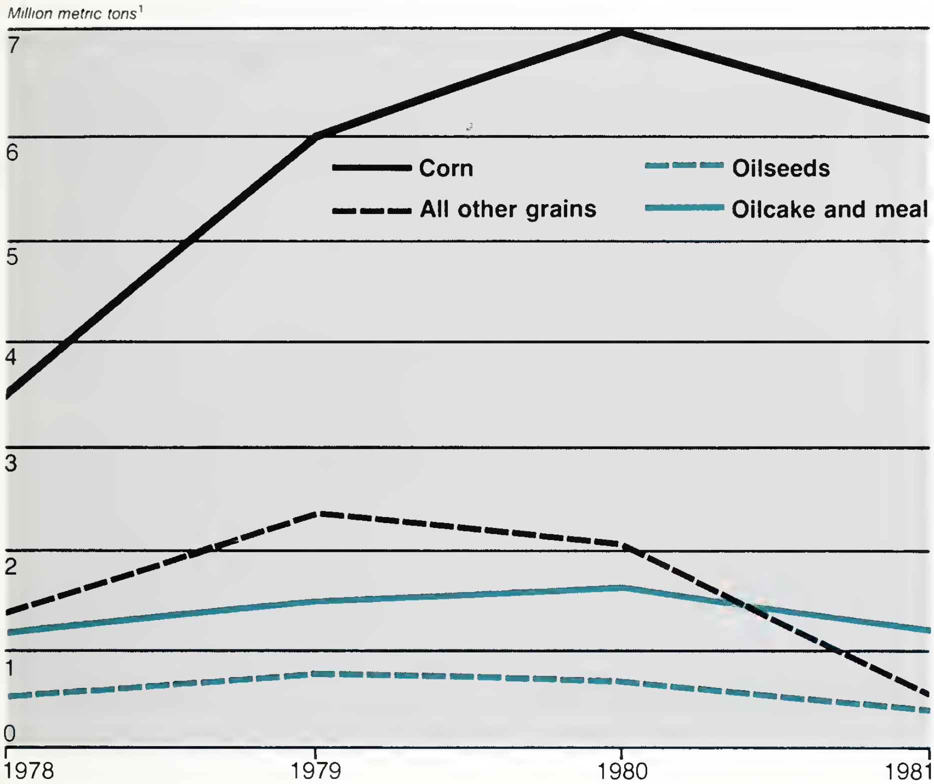
Poland continued to be the largest U.S. agricultural market in East Europe in 1981, buying $593 million worth of U.S. farm commodities.

Major purchases included wheat, corn, soybeans and products and dairy products. The livestock complex in Poland relies on imported feedstuffs, paid for in part by export sales of specialty items such as hams.

Under normal conditions, Poland, which was a strong market for U.S. products throughout the 1970's, would continue to buy large quantities of U.S. goods. However, as Poland has had to reschedule its 1981 debt burden, it has become difficult, if not impossible, to arrange credit to purchase commodities.

Most of Poland's traditional trade partners, including the United States, in the past

Corn Dominates U.S. Farm Exports to East Europe As Sales Gain 75 Percent in 4 Years



[1]Not including transshipments.

have arranged concessional sales of much-needed farm products. In fiscal year 1981, for example, the United States extended $670 million in CCC credit guarantees and $180 million in P.L. 480 and other assistance to Poland. However, recent political developments in Poland have made it difficult to justify U.S. concessional sales.

Romania, No. 2 U.S. Market, To Continue Purchasing

Romania continued its effort to expand its livestock herds and domestic meat production in 1981—and since its livestock industry relies on imported feeds, U.S. soybean meal sales improved considerably. In all, U.S. sales of oilseed meal rose 25 percent to $87 million (for 318,000 metric tons) in 1981. Other major U.S. exports were corn, soybeans, wheat, and cotton.

Romania has faced some problems in international financial markets and is reevaluating its debt position. The major economic preoccupation of its government in 1982 will be to reduce its balance of payments deficit to two-thirds of the 1981 level.

One of the necessary steps will be to reduce imports. U.S. exports to Romania fell to $368 million in 1981, down from $462 million in 1980. While Romania may continue to buy commodities in bulk, total U.S. exports may decline.

Slackening Growth Seen in Sales to the GDR

The German Democratic Republic (GDR) has traditionally been a strong market for U.S. agricultural products, ranking No. 3 in East Europe in recent years.

However, sales in 1981 declined 27 percent to $284 million, reflecting the restructuring of import policies.

Typically, the GDR uses about 12 million tons of grain each year, and imports make up one-fourth. About half of its grain imports have come from the United States in recent years. Major U.S. exports include corn, soybean meal, wheat, and barley.

The goal of the GDR's current 5-year plan (1981–1985) is to reduce dependence on Western agricultural supply sources and to improve domestic production, which has remained stagnant for several years.

The 1981 grain crop of 9.1 million metric tons did not equal the 1980 harvest of 9.6 million metric tons, although it was better than the poor 1979 harvest of 8.9 million tons. That crop prompted large imports by the GDR, especially from the United States.

Last year's small harvest will not necessarily lead to another surge in U.S. exports, however, because the GDR is becoming more conservative in its import policies. GDR leaders are also anxious to diversify their sources of supply.

U.S. Export Prospects Continue Good in Bulgaria

U.S. exporters can expect Bulgaria to continue to be a market for U.S. bulk commodities. In 1981 Bulgaria purchased $197 million worth of U.S. agricultural products, and ranked as the United States' fourth largest farm market in East Europe.

Bulgaria has succeeded in increasing its livestock inventories and meat production over the past decade. Indeed, Bulgaria is a net exporter of meat and meat products. However, for grains, Bulgaria has changed from a net exporter to a frequent importer of corn and barley, including 901,000 million tons of corn from the United States in 1981. Bulgaria is also a steady importer of oilseed meal, buying 214,000 million tons from the United States in 1981.

Through frugal management of its economy, Bulgaria often ends the calendar year with a foreign trade surplus.

Bulgaria's goal is self-sufficiency in feedstuffs by 1985. However, that would require more than a 25-percent increase in its grain production over its 1981 harvest of 8.25 million tons.

Yugoslavia, No. 5 Market, Trims Purchases From U.S.

Yugoslavia is expected to continue importing such U.S. products as wheat, soybeans, and meal to maintain livestock production. However, U.S. sales to Yugoslavia were down by roughly half in 1981, totaling $138 million, compared to $278 million in 1980.

In 1982, Yugoslavia is expected to buy some wheat from the United States, because the 1981 wheat crop did not fulfill expectations. However, the Yugoslav corn crop did well and the total corn harvest was 9.5 million tons. This is sufficient for domestic needs, although exports may have to be curtailed.

Yugoslavia also has problems with balance of payments, but its decentralized economy is better able to react to the changing economic climate.

Czechoslovakia De-Emphasizing Imports

Czechoslovakia, the United States' sixth largest market in East Europe in 1981, is readjusting its priorities in order to improve its balance of payments position with the West.

The drive to build up livestock herds, which did much to fuel past increases in imports, is no longer the prime objective. Government planners have called for more cattle production and grazing to supplement hog production, which requires imported grains.

Last year's grain harvest of 9.5 million tons fell short of early-season expectations by 10 to 12 percent and is nearly 17 percent short of anticipated needs. Czechoslovakia uses 11.5 million tons of grain a year (7.5 million for feed and 4.0 million for human consumption, industrial uses, and seed).

Poland Is East Europe's Largest Market for U.S. Farm Products

(In million dollars[1])

Country	1978	1979	1980	1981
Poland	503.5	651.7	571.5	592.9
Romania	148.5	336.5	462.6	368.4
GDR	186.9	337.1	453.2	284.2
Bulgaria	39.9	41.0	127.3	197.3
Yugoslavia	101.0	284.4	277.5	137.9
Czechoslovakia	77.1	258.1	154.6	58.2
Hungary	52.7	24.5	24.4	12.9
Total	**1,109.6**	**1,933.3**	**2,071.1**	**1,651.8**

Not adjusted for transshipments.

East Europe's Gross Hard Currency Debt to West Swells by Three-Fourths in Past 4 Years

Country	1978	1979	1980	1981	Change
		Bil. dol.			%
Bulgaria	3.7	4.3	4.4	3.8	+2
Czechoslovakia	2.6	3.2	4.1	4.6	+74
GDR	7.1	8.9	10.9	11.7	+64
Hungary	5.7	7.5	8.5	8.5	+50
Poland	14.0	17.8	22.7	25.1	+80
Romania	3.6	5.2	7.0	8.9	+146
Yugoslavia	8.4	10.5	13.5	16.9	+101
Total	**45.1**	**57.4**	**71.1**	**79.4**	**+76**

[1]As of January 1.

Imports of grain are planned at 1 to 1.5 million tons for 1981/82, including corn from Romania and wheat from Hungary. No imports are planned beyond this level; consequently, any shortfall in supplies will affect Czech livestock production.

Competition Stiffens in Hungarian Market

Hungary, the region's major exporter of wheat, is not unexpectedly our smallest agricultural customer in East Europe. As a rule, it exports up to 1 million tons of wheat yearly to the Soviet Union and its East European neighbors.

While wheat is Hungary's major export crop, corn is the major crop grown, and small amounts of corn are exported.

Hungary's main agricultural imports from the world markets are soybean cake and meal, refined sugar, raw cotton, and barley.

In the past the United States has supplied soybean cake and meal to Hungary, but U.S. exporters were edged out of the market in 1981. Last year, 80 percent of Hungary's meal imports came from Brazil and 20 percent from West Germany. Consequently, U.S. exports to Hungary took a tumble, falling more than 50 percent to $11.5 million.

While the Hungarians are not excluding purchases of U.S. meal if Brazilian supplies run low, U.S. prospects in this market are lowered by the effective competition in price and credit terms from Brazil. ■

The author is an economist in the Asia, Africa, and East Europe Division, FAS.

Fact File

U.S. Trade Policy For East Europe

The Trade Act of 1974 sets out the legal framework governing trade with East Europe, whose countries are treated differently from others with respect to U.S. tariffs and official credits and credit guarantees. The 1974 Act links nondiscriminatory tariff treatment and eligibility for U.S. export credit programs to the liberalization of emigration policies and to the negotiation of bilateral trade agreements with the United States. Another part of the Act established special preferential tariff rates for developing countries. Two East European countries —Romania and Yugoslavia—fall into this category.

U.S. trade relations with some East European countries also are affected by their membership in the General Agreement on Tariffs and Trade and their participation in certain codes negotiated during the Multilateral Trade Negotiations.

Most-Favored Nation (MFN) Status

Hungary, Poland, Romania, and Yugoslavia have MFN Status with the United States; the USSR, Bulgaria, Czechoslavkia, and the German Democratic Republic do not.

MFN was withdrawn from the USSR and from East European countries, except Yugoslavia, by the Trade Agreement Extension Act of 1951. It was restored to Poland in 1960. The Trade Act of 1974 authorized the granting of MFN through bilateral agreements that could run for 3 years and be renewed, but it made MFN contingent on an annual Congressional waiver with respect to the Act's provisions concerning emigration. The United States concluded MFN agreements with Romania in 1975 and with Hungary in 1978. These agreements have been renewed.

Generalized System of Preferences (GSP)

Only Romania and Yugoslavia in East Europe get GSP from the United States.

The GSP program confers temporary duty-free status on certain products from designated developing countries. GSP was established by the Trade Act of 1974, which said specifically that Czechoslovakia, the German Democratic Republic, Hungary, Poland, and the USSR (along with a number of developed Western countries) would not be designated. A country must be eligible for MFN to be eligible for GSP.

Cheese Quotas

For quota items 950,10D and 950.10E, categories which comprise a wide variety of cheeses, Poland has specific quota allocations of 936 metric tons and 175 tons, respectively. No quotas are allocated specifically to other East European countries. These quota items and also quota item 950.10B (Swiss and Emmenthaler cheese) include allocations for "other countries" under which imports from Eastern Europe enter the United States. The cheese in these quota items is dutiable, but whether or not the supplying country gets MFN does not affect the quota treatment of its cheese. Some cheese imported from Eastern Europe is not subject to quota restriction, notably Pecorino, other sheep's milk cheese suitable for grating, and Bryndza.

CCC Credit Guarantees

Poland, Yugoslavia, Hungary, and Romania are the only East European countries eligible for CCC credit programs.

As with MFN, eligibility for CCC credit guarantee programs (except for Poland and Yugoslavia) is governed by the Trade Act of 1974. Eligibility for Romania and Hungary depends on an annual Congressional waiver. In fiscal year 1981, authorizations were made for Poland ($670 million) and for Romania ($50 million). No authorizations have been made in fiscal year 1982.

Before the 1974 Trade Act, the USSR and all of the East European countries, except the German Democratic Republic, had been eligible for direct credits. (The direct credit program has not been funded since fiscal year 1980 and in practice, has been replaced by the credit guarantee program). The USSR drew around $550 million in credit under a 1972 trade agreement. Czechoslovakia also used the program, albeit sparingly.

Concessional Sales—P.L. 480

Poland and Yugoslavia were once major recipients of P.L. 480, but have not participated in the program in recent years. However, in 1981, two P.L. 480 transactions were made with Poland. On August 31, 1981, a Title I authorization was issued for $47.6 million of U.S. yellow corn (about 350,000 metric tons). On November 25, a Title II authorization was issued for a grant of $30 million of flour, grain products, milk and oils for food programs managed by CARE and the Catholic Relief Services.

Sales From USDA Stocks

- On April 17, Poland was allowed to buy 30,000 metric tons of butter and 30,000 metric tons of skimmed milk powder from Commodity Credit Corporation (CCC) stocks. The sale, estimated at more than $70 million, was paid for in zlotys.

- On August 24, Catholic Relief Services were allowed to buy from CCC stocks for shipment to Poland 3,000 metric tons of nonfat dry milk, 3,000 metric tons of butter, and 3,000 metric tons of cheese at 5 cents a pound. (The distribution within the 9,000-ton total was later changed to 5,575 tons of nonfat dry milk, 2,025 tons of butter, and 1,400 tons of cheese).

- On October 28, the Polish agency HORTEX-POLCOOP was allowed to buy from CCC stocks, for a Health Ministry program to be monitored by CARE, 10,000 metric tons of nonfat dry milk, 10,000 metric tons of butter, and 8,000 tons of cheese, with a combined value of $31.6 million.

General Agreement of Tariffs and Trade (GATT)

Czechoslavkia, Hungary, Poland, Romania and Yugoslavia are GATT members. The USSR, Bulgaria and the German Democratic Republic are not.

In general, the GATT provides for nondiscriminatory trade practices among its members, observance of certain rules for the conduct of international trade, and participation in various procedures for exchanging information and settling disputes. Usually when a country adheres to the GATT, it is asked for an "entry fee" in the form of tariff concessions to pay for concessions granted by other participants and in which the new member will now share. However, in the cases of Poland and Romania (but not Yugoslavia or Hungary), it was judged that tariffs were not a significant factor governing imports. Instead they were asked to undertake import commitments based on the amount of their trade with other GATT members.

As noted previously, the United States does not give MFN to Czechoslovakia and thus does discriminate against another GATT member. This situation was resolved by a declaration of GATT's contracting parties in 1952 stating: "that the Governments of the United States and Czechoslovakia shall be free to suspend, each with respect to the other, the obligations of the General Agreement . . ."

Multilateral Trade Negotiations (MTN) Codes

Several international codes or agreements were concluded as part of general trade negotiations in the late 1970's. In general, these elaborated on previously existing GATT rules or covered issues not covered by the GATT. The participants in one code need not be participants in other codes nor need they be GATT contracting parties. Code participation by country is as follows:

Bulgaria: Meat, dairy.
Czechoslovakia: Licensing, anti-dumping.
Hungary: Standards, meat, dairy, valuation, licensing, anti-dumping.
Poland: Anti-dumping.
Romania: Standards, meat, dairy, valuation, licensing, anti-dumping, aircraft.
Yugoslavia: Signed but not ratified—Standards, subsidies, meat customs valuation, licensing, anti-dumping.

Yugoslavia: The Troubled Meat Trade

By Roger S. Lowen

Developments in the last few years have threatened Yugoslavia's long-standing and active trade in livestock and fresh canned meats. Greek entry into the European Community (EC) and the EC's achievement of self-sufficiency for a large part of its meat requirements are both posing problems.

The market problem for the Yugoslavs revolves around whether they will continue to enjoy full access to the Greek and Italian markets where they have traditionally sold their beef.

Other markets are more secure—the United States for canned hams and the Middle East for lean beef and lamb. Success in these markets depends largely on the competitiveness of Yugoslav exports rather than questions of access.

Since Greece joined the EC in January 1981, Community restrictions have assumed magnified importance to the Yugoslavs. With serious balance of payments deficits plaguing their economy, restrictions on earnings of hard currency in the EC would be a difficult blow to absorb.

The old EC–9 gave Yugoslavia preferential levy reductions on its exports of baby beef to the Community. But since the old EC–9 and the new EC–10 quotas on these sales by Yugoslavia are identical, the new quota implies serious restrictions on Yugoslav exports. It does not fully take into account Yugoslav exports of baby beef to Greece that averaged nearly 39,000 metric tons yearly from 1976 to 1980.

The Yugoslavs have requested an additional quota of 30,000 tons from the EC, but French and Irish opposition has forestalled acceptance.

These trade problems cut Yugoslav beef exports to the EC in the first 10 months of 1981 to only 15,000 tons, or 72 percent below the level a year earlier. The overall situation has been made even more difficult by the EC's subsidized meat exports to markets in which Yugoslavia competes.

Last December the EC Commission did announce a 44.4-percent reduction in the supplemental levy on imports of Yugoslav baby beef and an increase in the annual quota from 34,800 to 50,400 tons. This measure carries no possibility of appeal and is valid for one calendar year.

The Yugoslav government reportedly was not satisfied with these measures since the competitive advantage of EC beef exporters was maintained (the new levy plus import duties still amounts to over $700 a ton). In effect, Yugoslavia was relegated to the position of a residual supplier for the Greek and Italian beef markets with little likelihood that much of its quota will be used.

Yugoslavia's exports of livestock, meat and meat products reportedly earned a net of $283 million in the first 11 months of 1981. This was a drop of over $100 million from planned earnings. Thus, the loss of the Greek market for baby beef has proved to be a serious setback for Yugoslav livestock and meat exports.

In an effort to earn hard currency from sources other than the EC, the Yugoslavs are seeking new markets in the Middle East and North Africa including Yemen, Lebanon, Qatar, the United Arab Emirates, Saudi Arabia, and Egypt. But the serious economic and political consequences of the developments in the EC become apparent when one considers that Yugoslavia's trade is becoming increasingly directed to the Eastern Bloc because of difficulty competing in the West. ■

The author is the U.S. Agricultural Counselor, Belgrade.

U.S.-Polish Trade: The Food Connection

By Edward Cook

The "food connection" between Poland and the United States has a long history. Even in the midst of the Cold War of the 1950s, Poland was a major buyer of U.S. agricultural commodities. Since then it has often ranked among the top 15 markets for U.S. food products. In calendar 1981, the United States exported $593 million worth of agricultural products to Poland.

Since 1962, Commodity Credit Corporation (CCC) credits have been used to finance the export of more than $2.8 billion worth of U.S. agricultural products to Poland.

The Polish government always repaid CCC promptly until 1981, when Poland was forced to reschedule its external debt to Western creditors because of its worsening financial situation. The extent of the U.S. contribution to Poland's food imports, as well as the concessional programs used, reflects the high priority the United States had placed on helping Poland meet its urgent food needs.

With the imposition of martial law in Poland in December 1981, the United States announced that food sales to Poland would be on a commercial basis only, a marked contrast from previous sales, which were arranged on credit terms. However, the U.S. government also indicated that commodity transactions

between the two governments for humanitarian purposes made prior to the imposition of martial law would be honored.

Poland's growing imports. During the past several years, the Polish government increased per capita meat consumption without a corresponding increase in grain production. The Poles' inability to boost grain output is due largely to the failure of the non-agricultural economy to provide adequate fertilizer, machinery and other inputs. But agricultural policies that failed to reward and encourage efficient production also played an important role.

Production problems in Poland were exacerbated by successive poor crops in 1979 and 1980, work stoppages in the non-agricultural sector, and wage increases that pushed demand beyond supply. Government subsidization of meat made it a good buy compared to other consumer products. A poor distribution system added to difficulties caused by inadequate production and excessive demand.

During the past several years, Poland has turned to imported feedstuffs to supply its growing swine and poultry industries. Though coarse grain imports have been rising rapidly, wheat imports still make up more than one-third of Poland's grain imports. The poorer quality of the higher yielding wheat varieties grown in Poland has led to increased feeding of domestic wheat and regular importing of high-quality wheat for milling.

Wheat remains the single most important grain imported, but a dramatic rise in corn purchases since 1976 has pushed yearly corn imports to near the level of wheat imports. Barley imports have been relegated to third position, although barley from Canada and West Europe is still a significant component of Poland's feed purchases from other countries.

U.S. share of Polish imports on the rise. Growing imports of corn, grain sorghum, and higher quality wheat have helped expand the U.S. share of the Polish grain market. According to official Polish statistics, the U.S. share of Poland's wheat imports has ranged up to almost 50 percent, and during 1975-79, it averaged more than 35 percent. For all Polish grain imports, the U.S. market share ranged from 8 percent to more than 61 percent during 1971-79. From 1975 until 1979, it averaged more than 45 percent.

U.S. Supplies One-Fifth of Poland's Farm Imports in 1980

Source	Value	Share
	Mil. dol.	%
Western Countries		
United States	610	19.7
France	342	11.1
Canada	217	7.0
United Kingdom	110	3.6
West Germany	109	3.6
Australia	98	3.2
Greece	68	2.2
Netherlands	45	1.5
Austria	44	1.4
Switzerland	32	1.0
Italy	27	0.9
New Zealand	18	0.6
Other	40	1.3
Total	**1,761**	**56.9**
Comecon		
USSR	259	8.4
Hungary	72	2.3
Bulgaria	54	1.8
Cuba	49	1.6
Romania	43	1.4
Others	32	1.0
Total	**509**	**16.5**
South America		
Brazil	370	12.0
Argentina	53	1.7
Colombia	43	1.4
Others	29	0.9
Total	**495**	**16.0**
Third World		
India	60	1.9
Turkey	48	1.5
China	42	1.3
Others	178	5.8
Total	**328**	**10.6**
Grand Total	**3,093**	**100.0**

Almost as noticeable as the rise in the U.S. share of Poland's grain imports has been the declining share of imports from the USSR. While the Soviet share of Poland's grain imports during 1971-74 averaged 46 percent, it averaged only slightly more than 9 percent from 1975 through 1979. Canada and West European countries have also taken advantage of the drop in Soviet grain exports to Poland and expanded the roles they play in the Polish grain market.

Poland has become a target country for promotional efforts by both the U.S. Wheat Associates and the U.S. Feed Grains Council—commodity trade groups that work with the Foreign Agricultural Service to develop overseas markets.

In Poland, both these groups have established animal pilot projects, coordinated market surveys, sponsored projects to improve feeding and management, and conducted grain quality seminars—all in an effort to promote the use of U.S. grain by Poles.

Greater Polish dependence on U.S. credit. The growing U.S. sales of grain to Poland have made the Poles increasingly dependent on CCC financing for their imports. While it is difficult to say how much CCC credit has expanded Polish demand for grain, it certainly played a big part in building and maintaining the U.S. share of the Polish grain market.

As its hard currency debt situation worsened during the mid- and late-1970s, Poland had to rely more and more on financing of agricultural imports. The Poles also had to turn to grain supply agreements with credit arrangements to finance their grain purchases from other countries.

The part of U.S. grain exports to Poland financed under CCC was only 18 percent during 1976, but in recent years it has climbed to 100 percent. Corn is by far the

Polish Grain Imports From U.S. Jump During Late Seventies

Year[1]	United States	Canada	France	Other Europe	USSR	Other and unidentified	Total
Imports[2] *(Thousand metric tons)*							
1971	421	133	118	207	2,040	104	3,023
1972	256	219	598	676	1,323	125	3,194
1973	1,101	144	239	655	1,114	64	3,317
1974	884	224	13	693	1,893	448	4,155
1975	1,377	289	19	1,118	1,014	219	4,036
1976	3,764	353	246	1,254	230	294	6,141
1977	2,528	960	0	973	908	399	5,768
1978	2,665	1,319	516	862	0	165	5,527
1979	3,115	991	890	1,006	500	849	7,351
Share by Origin *(Percent)*							
1971	13.9	4.4	3.9	6.8	67.5	3.4	—
1972	8.0	6.9	18.7	21.2	41.4	3.9	—
1973	33.2	4.3	7.2	19.7	33.6	1.9	—
1974	1.3	5.4	0.3	16.7	45.6	10.8	—
1975	34.1	7.2	0.5	27.7	25.1	5.4	—
1976	61.3	5.7	4.0	20.4	3.7	4.8	—
1977	43.8	16.6	0	16.9	15.7	6.9	—
1978	48.2	23.9	9.3	15.6	0	3.0	—
1979	42.4	13.5	12.1	13.7	6.8	11.5	—

[1] Calendar basis [2] Includes rice

Polish Agricultural Imports Remain High in 1982

Commodity	Total import requirements	Portion requested from U.S.	U.S. share
	Mil. dol.	*Mil. dol.*	*%*
Meat	248	0	0
Wheat	508	33	6
Corn	262	262	100
Barley	158	0	0
Oilseed meal	326	135	41
Oilseeds	55	49	89
Edible soy protein	2	2	100
Vegetable oil	86	33	38
Rice	13	3	100
Tallow	5	5	100
Dairy products	77	0	0
Alfalfa seed	4	4	100
Tobacco	8	8	100
Cotton	215	20	9
Lard	35	0	0
Other	1,000	0	0
Total	**3,002**	**564**	**28**

[1] Calculated at November 1981 prices.

largest Polish grain import financed through CCC in the last few years, but smaller imports of U.S. rice have consistently been 100 percent financed.

In fiscal 1981, the CCC allocated $670 million in GSM-102 Export Credit Guarantees for sales to Poland and $47 million in P.L. 480 Title I Concessional Export Sales. Corn was the primary commodity financed. Corn was included primarily because Polish officials wanted to meet the country's needs for poultry and swine feeding. Other commodities financed were also feed ingredients—soybean meal, soy protein, bone meal, and tallow.

In addition, CCC sales in fiscal 1981 included $102 million in dairy products. One portion was sold for distribution by relief agencies and another was a direct sale for zlotys. On top of this, a P.L. 480 Title II donation of $30 million in various commodities was made in November.

A pressing need for more food imports. Even with reduced per capita consumption, Poland will need about $3.0 billion in agricultural imports in 1982. Of this, Poland has requested commodities valued at roughly $564 million from the United States. While crop conditions in Poland improved measurably in fiscal 1981 compared to the preceding 2 years, the Poles still face a serious food gap, particularly in meat, grains, oilseeds and products, animal fats, and dairy products. They need these items to ensure at least minimal supplies for urban centers and without them they could not increase livestock production and provide enough bread and cooking oil.

The continuing political disruption in Poland has brought a recess in negotiations for more U.S. credit to help the Poles import more food. Nevertheless, it is in the long-term interest of U.S. agriculture to maintain the vital trade relationship that has been established with Poland. Even with an improvement in the political climate, Polish economic troubles will persist. And that fact will have important consequences for the future of U.S.-Polish agricultural trade. ■

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Country Briefs

El Salvador

Cotton Exports Curtailed by Production Falloff

El Salvador's cotton exports are likely to decline 3 percent during the 1981/82 marketing year (August-July), and more than 10 percent in 1982/83 because of production declines resulting from terrorist activities in the countryside, problems connected with the implementation of land reform, and the lack of credit.

Terrorist threats to destroy farm equipment curtailed plantings in some rural areas, while threats to the personal safety of workers who assist in the planting and maintenance of cotton farms also hurt production. In addition, many owners of cotton land chose not to rent their land for production to avoid the risk of loss under the country's land reform program. Traditionally, more than half of El Salvador's cotton is planted on rented land which, under the land reform legislation which went into effect in April 1980, was to be transferred from owners to renters in the 1981/82 crop year. Government officials, dismayed by the withdrawal of so much land from production of a valuable export crop, were not able to coax the land into production even with promises that it would be exempt from expropriation this crop year.

Lastly, production credit for the 1981/82 season was not available until planting was underway. Even then, it took presidential action to shake loose central bank funds for the credit that cotton producers needed for fertilizer, insecticides, fuel, and other expenses. Producers were also hit by insecticide prices that were 15 to 20 percent higher than the preceding year, with the result that some farmers sprayed less frequently.

France

Grain Exports Set New Record

French grain exports reached an all–time high in 1980/81 of 22.5 million metric tons, producing a trade surplus of $4.16 billion. In fact, grain exports generated more foreign exchange than any other French item, even automobiles.

For the first time since 1969/70, grain exports to third countries outpaced those to the European Community. Third countries accounted for 58 percent of the quantity of grain exported in 1980/81 and 52 percent of the value. Grain exports to other countries within the EC decreased by nearly one–tenth from the previous year's level, reflecting the good crops in other EC countries and the stagnation of grain consumption within the EC.

Egypt was France's largest market outside the EC, absorbing around two–thirds of the French exports of wheat flour. The other major markets included Poland, Morocco, Saudi Arabia (for barley only), and Switzerland. The Soviet Union, which was France's third largest non–EC market in 1979/80, was only the seventh largest market in 1980/81, as practically no French wheat was shipped to the Soviet Union during the year.

French grain exports in 1981/82 are expected to decline roughly a tenth from the 1980/81 level, with cuts for soft wheat, barley, and corn more than offsetting a slight increase in flour exports.

Exports of soft wheat are forecast to be down to nearly all of France's third country markets except the Soviet Union. According to trade sources, the USSR has been buying about 250,000 tons of French wheat monthly since September.

Shortfalls in Walnut Crop Could Boost U.S. Exports

Due to a 56-percent drop in France's walnut crop last year, that country's imports should be substantially higher in 1981/82. Current estimates put the import total at around 9,100 metric tons, up more than two and a half times from the previous year. Eighty percent of the imports may come from the United States, according to sources in the French walnut industry.

Indonesia

High Prices Handicap U.S. Exporters in Competing For Livestock Sales

Under the Indonesian government's cattle program, contracts have already been signed for 1982 delivery of 25,000 head (10,000 from Australia and 15,000 from New Zealand). While additional purchases of a like number of animals will probably be made later this year, high U.S. prices are handicapping U.S. exporters in the Indonesian market. The animals bought to date have averaged $570 from Australia and $730 from New Zealand per head C & F Jakarta. The Government of Indonesia has a maximum purchase price restriction of $750 per head delivered Jakarta.

However, market prospects are better for commercial imports of small numbers of U.S. dairy animals by Indonesia. The price of beef (average for bone-in, all cuts) has been averaging around $2.00 per pound. At such prices, Indonesia's largest dairy operation has shown some interest in importing lightweight U.S. animals, essentially for dairy herd improvement purposes. However, the Indonesians would also have the option of profitably marketing the meat from fattened bull calves and other culled animals.

New Outlets Sought for Cassava Crop as European Demand Slumps

In the face of an estimated million-ton increase in the cassava crop and weak demand in Europe, its major market, Indonesia's cassava industry is seeking new outlets for its production. One of the most promising markets appears to be for high-fructose syrup (HFS) production. One pilot HFS plant owned by the government is already under construction in East Java, and at least four private companies have applied for licenses to build HFS plants in other locations. Obvious outlets for this production are the large soft drink and confectionary industries. Government officials are already considering requiring bottlers to use only HFS in their factories.

Cassava exports to Europe, traditionally Indonesia's major market, could fall below 250,000 tons this year, and the European Community would like to use this depressed export level as the basis for some sort of export restraint arrangement. Thailand is insisting that its agreement to limit cassava exports the EC be followed by restrictions on other suppliers.

Malaysia

Increase in Port Elevator Capacity Boosts Potential Market for Bulk Grain Imports

Malaysia's bulk grain storage capacity in port elevators has increased dramatically during the past two years. The total capacity in vertical concrete silos will reach some 211,000 metric tons this year, up 60 percent from capacity at the beginning of 1980. When silo construction projects are completed in the next few months at Lumut and Port Kelang, Malaysia's bulk storage capacity for grains will surpass that of Singapore, which now has some 204,000 metric tons of port silo capacity at six elevators.

The expansion of storage capacity in Malaysia has many implications for grain traders. Greater storage capacity should reduce the cost of imported grains, enhance the security of the flour and livestock feed supply, and allow importers more flexibility in making buying decisions.

In addition, imports of bulk feed grains are likely to grow once silo capacity exceeds the space requirements for wheat and soybeans. Up to now, Malaysia has imported much of its annual feed grain requirements—some 600,000 metric tons—in bags. New feed mills have been built adjacent to port silos at Butterworth and Labuan, are being installed at Lumut, and are planned for Pasir Gudang.

While increased port silo capacity is evidence of a growing market for bulk grains in Malaysia, some limitations on trade remain. Arranging Panamax cargoes of 40,000-50,000 metric tons has not been feasible since shallow harbor channels limit access to most berths to cargoes of 25,000 metric tons or less. In addition, demand is usually not heavy enough at any one port facility to warrant complete discharge of even 25,000 metric ton cargoes consisting solely of a single commodity. Therefore, Malaysia's importers are actively seeking low-cost suppliers of mixed lot, 20,000-25,000 metric ton cargoes, which can be discharged at more than one port and/or shared by more than one buyer.

Mexico

Initiates Macadamia Nut Production

Mexico's National Fruit Commission (CONAFRUT) has taken the first steps in its project to establish commercial macadamia production in Mexico. The organization converted an old sugar cane plantation into a CONAFRUT-operated nursery which has a capacity to produce 700,000 plants per year. The facilities are described by both Mexican officials and U.S. consultants as being technologically among the most modern possible. CONAFRUT expects that the first of three annual plantings of 27,500 plants will take place in Veracruz around June 1982.

The macadamia nuts are projected as a viable alternative crop in areas now producing coffee. Macadamias are being developed as an export crop since Mexican domestic demand is expected to remain quite small for some time. Through the control of export permits, CONAFRUT expects to maintain rigorous quality control on exports.

Romania

Government To Increase Control Over Agriculture

Pointing his finger at management deficiencies and improper utilization of inputs as reasons for his country's smaller-than-expected agricultural output in 1981, Romania's president announced the end of independent management for a key segment of that country's agriculture. In 1981, all agricultural mechanization units will become subordinate to state and cooperative farms. Other government actions to spur agricultural productivity include plans to improve storage facilities, step up land drainage activities, and allocate an additional 5,000 tractors to agriculture to speed up completion of fieldwork. In all, the share of Romania's total economic investment in agriculture is targeted to rise to 15.7 percent, compared with a planned 14.2 percent in 1981.

West Germany

Increase in Value of Dollar Restricts U.S. Citrus Sales

The comparatively high value of the U.S. dollar, coupled with reports of limited profits last year, caused German importers to exhibit certain restraint in their early ordering of U.S. citrus fruits.

Because of the January freeze in Florida, German imports of U.S. grapefruit are unlikely to reach last season's level of 18,000 metric tons.

Grapefruit is by far the most important fresh citrus fruit shipped by the United States to Germany. During the 1980/81 marketing period, the U.S. increase, however, was due primarily to smaller shipments from other sources, chiefly Israel.

Overall, the market for white grapefruit is basically stagnating while that for red grapefruit is expanding. Although Texas and Florida are still the major suppliers of red grapefruit, increasing quantities are being offered from other countries, especially Honduras and Israel. Trade sources report Israel has planted considerable acreage with red grapefruit varieties. These young orchards are starting to bear and will produce increasing quantities of fruit, a large portion of which will probably be marketed in Germany. However, the quality of fruit is not fully comparable with U.S. grapefruit because of its lack of sweetness and slightly bitter aftertaste.

Venezuela

Pork Imports From U.S. Rise by More Than One-Third

U.S. pork exports to Venezuela expanded by more than a third in terms of both quantity and value during fiscal 1981. Because of the growing interest in this market, the U.S. agricultural attache in Caracas recently prepared the following market profile.

Pork imports fall into two categories—that imported for industrial use and that imported ready for retail. Pork for industrial use, usually picnics and hams, may be imported only by license issued by the government's Agricultural Marketing Agency (CMA). Licenses are granted by CMA only three times a year and in 1981 were as follows: March–3,500 metric tons; June/July–3,500 metric tons; and October–3,000 metric tons.

Licenses are granted to the industrial processors in accordance with their productive capacity. The leading processors in Venezuela are: Plumrose, Oscar Mayer (Venezolana Empacadora C.A.), Embutidos Baruta, and Steffanutti. There are also many smaller processors, but their import licenses are for relatively small amounts. Processors with import licenses generally prefer to purchase through local agents of U.S. or foreign (usually Danish and Swedish) firms. At times processors also may buy direct in the United States.

Soviets More Dependent On Agricultural Imports

Above: Crowded dock at the Soviet port city of Odessa on the Black Sea.

By Harlan J. Dirks

The Soviet Union imported large amounts of agricultural products in 1981 from a number of countries, among them the United States which withdrew its embargo in April. Although final statistics are still not available, it is estimated that the total Soviet imports rose to about $20 billion, up 20 percent from the $16.6 billion in 1980.

The surge in Soviet imports is only partly related to the disappointing harvests of the past 3 years. It is also an outgrowth of the increasing demand by Soviet consumers for more and better quality food. This has prompted the Soviets to import increasing quantities of feedstuffs for its livestock industry in hopes of providing more meat and animal products for the population.

The improvement of Soviet livestock production has been difficult and expensive to carry out in the face of three poor Soviet harvests in a row. It has not only required record high levels of feed grain imports, but also large quantities of protein supplements which are in very short supply in the Soviet Union.

Additional vegetable oil imports also have been required mainly for margarine production due to the shortage of butter. Milk production in the USSR has been falling for the past 4 years.

Large Agricultural Imports To Continue

The Soviets' Eleventh 5-Year Plan (which covers the period 1981-85) calls for an expansion in total foreign trade of 22.5 percent and the continuation of imports to improve the agricultural base.

Consequently, in addition to their large imports of feedstuffs for livestock production, the Soviets are also importing more agricultural chemicals, fertilizer, technology and farm machinery, all of which are essential to increase farm output.

Grains Still Lead Import List

Total Soviet purchases of major commodities on world markets in 1981 consisted of an estimated 40 million metric tons of grain, 1.4 million tons of soybeans, 1.2 million tons of flour, 1.5 million tons of soybean meal, 4.5 million tons of sugar, 1 million tons of meat, 750,000 tons of rice and 600,000 tons of vegetable oils (including technical oils).

Because some 60 percent of these imports were for hard currency, they caused a severe deficit in the Soviet hard currency trade balance during the past year.

Port Capacity Expanded

With agricultural imports growing faster than the country's ability to cope with the volume in its ports, the Soviet government has taken measures to upgrade the handling and receiving capacity at ports—and also to improve the internal systems needed to move grain away from the port areas.

Among other improvements, five new floating docks (elevators) have been installed, two at Baltic ports and three on the Black Sea. This was done to facilitate faster discharges and to make greater use of river boats and smaller coasters.

More of these portable docks will likely be installed in the future. By using the smaller vessels grain can be transported further along inland waterways and rivers, thus relieving some of the pressure on the rail system.

Soviet port capacity is estimated to have expanded to about 45 million tons, up from roughly 36 million tons just a little over a year ago.

The action taken to improve port capacity was needed not only to handle more volume, but also to avoid the long unloading delays in ports. Delays in the ports have been very costly to the Soviets who have been forced to pay a demurrage charge of about $14.50 per metric ton per month. While the average waiting period has been reduced, there are still reports of rather long delays in Soviet ports.

Outlook for U.S. Sales

The general outlook for U.S. sales in 1982 will depend largely on developments in the political situation, as the Soviet Union is expected to continue to be a large importer of agricultural products, particularly feedstuffs, for the next several years.

However, stiff competition can be expected for agricultural sales as the Soviets will be looking to diversify their sources of supply by making full use of long-term agreements signed recently with other major supplying countries.

Another factor is that hard currency for agricultural imports will be very tight, even for essentials like grain for the forseeable future.

U.S. commodities with good prospects for sales to the USSR—aside from corn, wheat, soybeans, meals and vegetable oils—include: peanuts, almonds, hops, textured soy products, flour, citrus, tallow, hides and skins, seeds, poultry meat, and breeding stock and semen. ■

The author is USDA's Agricultural Counselor in Moscow.

Selling in the Soviet Market

Potential exporters to the USSR should keep in mind that all economic activities, including decisions on foreign trade, are carried out by the state. Because there are no private buyers, selling products in the USSR is different from selling in the traditional "free-market" economies.

Most decisions concerning what and how much to import are planned in considerable detail by GOSPLAN (Soviet Planning Agency) well in advance of actual trade. Import plans are often carried out through various types of long-term trade arrangements and bilateral agreements.

When hard currency purchases are planned, funds are allocated on a priority basis. When needed goods are available from other Eastern Bloc trading partners, hard currency purchases are nearly always avoided.

All foreign purchases by the Soviet Union are made through foreign trade organizations (FTO's), constituted under the Ministry of Foreign Trade. There are eight FTO's in the Soviet Union that deal in agricultural products, all having the exclusive right to import a specified range of products.

Given that decisions concerning what to import are usually influenced at different levels in the Soviet bureaucracy, U.S. exporters have found it useful to supply various Soviet agencies with specific information on such factors as nutrition, quality and grades, delivery conditions, seed yield performance, product characteristics and prices and samples.

Personal contacts at all levels have proven to be very valuable in dealing with the Soviets. Market seminars, with the Soviets participating, have also been especially useful devices for supplying information and building trade contacts.

Soviets Use Commodity Agreements To Protect Supplies

By Debra Henke

Soviet policy-makers have been busy the past 2 years signing new long-term commodity agreements with five countries that guarantee them supplies of at least 4 million metric tons each of wheat and coarse grain and a million tons of soybeans every year through 1985.

In fact, these new agreements more than match the quantities of agricultural products covered under the U.S.–Soviet Grain Agreement due to expire this September.

This drive to assure grain and soybean supplies follows a persistent pattern of large and small crops in the Soviet Union and steadily increasing import demands. The 1981 crop very likely was the third small harvest in a row.

Doubtless, the new agreements also reflect an attempt by the Soviets to diversify their suppliers in response to the partial U.S. embargo imposed in January 1980.

A brief rundown follows of the known arrangements:

Argentina's agreement with the Soviets to run during 1981–1985 commits them to ship the USSR 4.5 million tons of coarse grains and soybeans annually. The breakdown is reported to be 500,000 tons of soybeans and a minimum of 4 million tons of coarse grains—of which approximately two-thirds will be corn and the remainder sorghum. Additional amounts of corn and sorghum may be made available, upon consultation. The amounts under this agreement are not guaranteed in case of short crops in Argentina.

This grain agreement, signed in August 1980, was supplemented in April 1981 by a 5-year meat agreement. Argentina agreed to make available 60,000–100,000 tons of boneless beef for export to the Soviet Union during 1981–1985. Soviet imports of Argentine beef reached 90,000 tons in 1980, considerably above previous trade levels.

Brazil signed a 5-year commercial agreement with the Soviets in July 1981 to trade agricultural products for crude oil and heavy engineering products from the Soviet Union. All trading is to be at world prices.

Under the agreement, Brazil agreed to supply the Soviets with a minimum of 500,000 tons of soybeans, 400,000 tons of soybean meal, 40,000 tons of soy oil, 10,000 tons of cocoa beans and 10,000 tons of cocoa liquor during each of the 5

years of the agreement (1982-1986). In addition, Brazil will make available a minimum of 500,000 tons of corn annually from 1983 through 1986.

Canada's 5-year agreement, which began August 1, 1981, calls for the Canadians to supply the Soviets with 25 million tons each of wheat or wheat flour, barley, and oats through 1986. The minimum purchase the first year was to be 4 million tons, and purchases will increase annually by increments of 500,000 tons to a minimum of 6 million tons during the fifth year of the agreement. These amounts include Canadian shipments to Cuba on the Soviet account.

New Zealand announced a 4-year supply agreement with the Soviet Union in December 1981 covering sales of butter and whole milk powder. In 1982, shipments are expected to equal $NZ130 million—consisting of 40,000 tons of butter and 30,000 tons of whole milk powder. Sales of about $NZ75 million each year are expected for the following 3 years, with price and quantities negotiated every 6 months.

Sweden has agreed to sell the Soviets 5,000 tons of butter annually during 1982-1985. The transactions are expected to be made during the first 9 months of each year, when Sweden traditionally has a milk surplus. Prices are to be determined quarterly.

Thailand announced a 10-year trade agreement with the Soviet Union in December 1980. Last year Soviet purchases under this agreement were slated to include 500,000 tons of tapioca, about 450,000 tons of corn, and 230,000 tons of rice. In return, the Soviets agreed to sell the Thais civilian and military machinery.

India also has a long-standing exchange agreement to trade its agricultural commodities for Soviet crude oil and petroleum products. The agreement, originally signed in April 1979, is renewed annually. The commodities are specified each year and depend on local supply.

In 1981, India's exports included 500,000 tons of rice (200,000 tons to be delivered in 1981 and 300,000 tons to be delivered in 1982); 100,000 tons of barley; 20,000 tons of peanuts; 10,000 tons of sesame seeds and unknown quantities of goats skins. Soviet sales under the agreement included 1 million tons of crude oil and 350,000 tons of petroleum products.

Soviets Rely Heavily on Long-Term Commodity Agreements

(In million metric tons)

		Annual shipment levels				
Country	Time in effect	Wheat	Coarse grains	Soybeans & products	Meat	Butter
Argentina	1981-85	—	4.00[1]	0.50	0.06-0.10	
Brazil	1982-1986	—	0.50	0.94	—	—
Canada[2]	1981-1986 (Aug.-July)	4.00-6.00[3]	—	—	—	—
Hungary	1981-1985	0.50[4]	—	—	—	—
India	1979-[5]	—	0.10[6]	—	—	—
New Zealand	1982-1985	—	—	—	—	0.040[7]
Sweden	1982-1985	—	—	—	—	0.005[8]
Thailand[9]	1981-1990	—	—	—	—	—
U.S.	1976-1982 (Oct.-Sept.)	6.00-8.00[10]	—	—	—	—

[1] May be either corn or sorghum [2] Includes shipments to Cuba [3] First-year minimum purchase set at 4 million tons to increase by 500,000-ton increments to 6 million tons in final year Includes wheat and wheat flour, oats, and barley [4] May be either wheat or corn [5] Agreement is open-ended and renewed annually [6] Commodities involved are non-traditional and subject to change [7] Quantities and prices are negotiated semiannually Table shows quantities shipped in first agreement year [8] Price set quarterly [9] Commodities involved are non-traditional and may vary annually [10] Approximately equal amounts of wheat and corn up to 6-million-ton minimum and thereafter not specified

The Soviet Union also has long-standing trade arrangements with several East European countries.

Hungary, that region's top agricultural exporter, is expected to supply 500,000 tons of grain, specifically wheat and corn, to the Soviets each year during the 1981-1985 planning period.

U.S.-USSR Grains Agreement Negotiations On Hold

The U.S.-USSR Grains Agreement was signed in October 1975 to run from October 1976 to September 1981, and then was extended in August 1981 for an additional year.

Under the terms of the agreement, the Soviet Union is to buy a minimum of 6 million tons of U.S. wheat and corn in approximately equal amounts each year (Oct.-Sept. basis), with purchases spaced as evenly as possibly over the 12-month period. The United States agreed to sell the Soviets up to 8 million metric tons each year—including 3 million metric tons of wheat and 3 million metric tons of corn—without further consultations. Purchases over 8 million metric tons could be arranged after consultations, to be held every 6 months under the agreement or as requested.

The United States may reduce quantities available to the Soviet Union when USDA's estimate of production, plus carryover stocks, for all grains is below 225 million tons.

Negotiations on a new long-term agreement with the Soviets, which were expected to get underway early in 1982, have been delayed by the United States in response to the Soviet Union's involvement in recent events in Poland.

If the United States and the USSR do not meet to negotiate some kind of grain agreement beyond the current agreement, which expires September 30, regular market operations will determine U.S. grain trade with the Soviets. The Soviets will have the same access to U.S. grain as any other buyer. ■

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Soviets Halt Campaign To Upgrade Diets

By Yuri Markish

It's back to potatoes and other high-calorie foodstuffs for Soviet citizens in coming years, according to new dietary norms published recently by government nutritionists.

Although these consumption norms do not have the force of law that various production norms do in the USSR, they are important in that they represent countrywide standards of nutrition and hence enter agriculture's planning process as part of the country's requirements.

The fundamental goal of Soviet agricultural policy in the post-World War II period has been to improve the diet of Soviet citizens—primarily through increased availability of meat and other livestock products, vegetable oil, fresh vegetables and fruit.

This policy has been reflected in generally increasing norms (according to Soviet publications issued between 1969 and 1978) for meat and fat, milk and milk products, vegetables and melons. During the same period, norms for high-calorie, low-quality foodstuffs such as grain (flour), potatoes and sugar were stable or else declined.

The recent sizable reductions in the norms for meat, vegetables, and fruit—to a level lower than any published in the 1970s—and the compensatory increases in potatoes contrast sharply with past trends.

Evidently the recent changes reflect an attempt to align these norms somewhat with actual consumption, particularly for high-quality foods. Such changes also come at a time when the prospects for increased production of many high-quality food items are not bright.

USDA economists speculate that one reason for the recent changes in the norms might be the realization by Soviet experts that the targets set for the Eleventh 5-Year Plan are overly ambitious. Assuming Soviet agriculture seriously undershot its 1981 targets, the Soviets probably would not be anxious to publish data showing major defeats in fulfilling nutritional norms. ■

Livestock Products and Other Non-Starch Foods Lose Ground in Soviet Diets
(In kilograms)

Commodity	Norms for 1976	Norms for 1981	Change	1980 actual consumption
Milk and products	481.0	405	−76.0	314.0
Vegetables and melons	164.0	130	−34.0	93.0
Fruits and berries	113.6	91	−22.6	34.0
Meats and fat	94.0	78	−16.0	57.0
Grain[1]	120.0	115	−5.0	139.0
Eggs[2]	292.0	292	0.0	238.0
Sugar	36.5	40	+3.5	42.2
Potatoes	95.0	110	+15.0	112.0

[1] Flour equivalent. [2] Units other than kilograms.

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Trade Updates

Australia Sells Record Amount Of Wheat to India

Australia's sale of 750,000 tons of wheat to India for delivery in the December 1981-February 1982 period represents the largest Australian sale to India on record and the first sale since 1976/77 (December-November). That year Australia shipped India almost 238,000 tons.

India's purchase from Australia comes on top of 1.6 million tons of U.S. wheat purchased for delivery in the July 1981–January 1982 period. Two-thirds of the U.S. total is soft white and the remainder is hard red winter wheat.

Further wheat sales by Australia and the United States are possible since India has contracted for wheat only through February and its domestic procurement program does not begin until April. Additional Indian imports will depend on its current crop outturn, whether procurement problems experienced last year recur, and whether the Indian government continues to import to replenish stocks.

China Uses U.S. Livestock To Upgrade Its Swine Industry

China is evidently attempting to modernize its swine feeding industry with imports of live animals from the United States. The first U.S. commercial air shipment to arrive in Guangzhou in 32 years recently delivered 353 U.S. hogs. Ceroilfoods, an agency of the Chinese government, is sending a team of seven people to tour the United States in February. Mostly veterinarians, the team will observe swine breeding stock and become more familiar with U.S. swine diseases and export quarantine procedures and facilities. The visit may result in additional Chinese purchases of U.S. swine.

Korea

Push to Upgrade Dairy Herds Continues

Korean dairy farmers, who are being encouraged by the government to cull low-producing dairy cows, have applied for import permits for 1,500 head in the past few months to replace the culled animals. The Korean government is issuing the necessary import licenses, with the stipulation that only registered animals may be imported in an effort to improve the quality of the Korean dairy herds. In anticipation of continued rising demand for milk products in 1982, the government has set a tentative dairy cattle import quota of 3,500 head. This quota will also be limited to only registered animals.

Taiwan Resumes Corn Purchases From Thailand

Taiwan's recent purchase of 250,000 tons of Thai corn for November 1981/April 1982 shipment is the largest from that source since the mid-1970's, when Thailand regularly supplied about one-third of the Taiwanese market. In the latter part of the decade, U.S. corn edged out Thai corn, as Taiwan was under pressure to improve its trade balance with the United States.

Taiwan's imports from South Africa have also picked up in the last few years under a 3-year agreement—now in its final year—calling for annual purchases of 600,000 tons. Purchases of South African corn this year could be as great as 750,000 tons to compensate partially for the 1979/80 shortfall in South African deliveries. Taiwan's decision to increase its imports from Thailand and South Africa is probably based on a desire to diversify its sources of supply.

Multi-Fiber Agreement Renewed

The world's textile trade over the next 4 years will be governed by the renewed Multi-Fiber Agreement (MFA) which became effective in January and continues through July 1986. While the extended MFA is more restrictive than the version that expired Dec. 31, 1981, the exact impact of the new agreement will not be known until subsequent bilateral agreements are renegotiated between individual importing and exporting countries.

The new protocol is expected to give importing nations more latitude in restraining imports. At the same time, parts of the new arrangement include provisions that can be interpreted to accommodate different points of view in the next round of bilateral talks. European Community countries, which were the major blocks in recent renewal negotiations, are expected to act soon to renegotiate bilateral textile agreements.

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